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DEPARTMENT FOR USTR - SHAUN DONNELLY

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SUBJECT: AUTSR DONNELLY ENGAGES GOI ON DOHA, IPR/ACTA, AND
IMPORT SAFETY ISSUES

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11. (U) Summary. In a September 26 meeting, GOI trade official Leonardo Schiavo told Assistant USTR Shaun Donnelly the GOI is committed to the success of the Doha Round, at the same time making clear that geographic indications are a key issue for the GOI. Schiavo characterized Italy as "one of the main victims of IPR crime," and criticized Italy's inclusion on the Special 301 Watch List. In a separate meeting with GOI IPR officials, Donnelly pressed them to establish a GOI "Action Plan" on IPR enforcement and to take steps to strengthen GOI IPR enforcement efforts. Schiavo expressed reservations about the shipping container inspection legislation recently passed by Congress, but expressed willingness to work with USG officials to establish mechanisms for the inspection of containers being shipped from Italian ports to the U.S. End summary.

WTO and the Doha Round

12. (U) Schiavo, Chief of Staff to Italian Trade Minister Emma Bonino, opened the meeting by noting the GOI is concerned the Doha Round of trade talks is not proceeding "at an adequate speed for a breakthrough" and that the "overall context is not encouraging." Donnelly and Schiavo agreed that whatever agreement comes out of the Doha Round will not completely satisfy all of the parties, and that it is essential to keep pressure on the newly industrialized countries to make concessions on services and NAMA access. Schiavo identified geographic indications (GIs) as the "key issue" for the GOI in the WTO negotiations, and argued that GI protections are necessary for Italy to protect its position as a "quality product exporter."

13. (U) Schiavo expressed concern about "how an agreement that is fair to emerging economies will be received by Congress," and how Congress will react to possible cuts in farm subsidies. Donnelly noted USTR Schwab believes a good Doha package can get a Congressional majority, and that Schiavo's concerns highlight the need to maintain a high level of ambition for the ongoing round of negotiations. Ambitious negotiations that result in a "solid package" with meaningful market access will facilitate renewal of the President's Trade Promotion Authority (TPA) and Congressional approval of a Doha Trade agreement. Donnelly concluded that in order for the Doha Round to be successful, India and Brazil need to provide meaningful market access, especially to exports from developing economies.

IPR, Special 301, and ACTA

14. (U) Schiavo commented that Italian companies are among the leading victims of IPR crimes and outlined steps taken by

the GOI to crack down on IPR violators, including setting up 14 "Anti-counterfeiting Desks" in Italian embassies. He lambasted the Special 301 process as "patronizing," and said the GOI "should not be criticized because some Moroccan sells fake CDs on the street." Schiavo argued that USG IPR protection efforts should focus on China and Russia, which he alleged are the source of the majority of counterfeit goods sold in Italy. Donnelly replied that in order for Italy to be removed from the Special 301 Watch List, the GOI needs to "establish a record of actual arrests and convictions," and that without concrete actions on the ground, removal from the list is not likely. Donnelly also urged Schiavo to broaden the focus of GOI IPR enforcement efforts to include protection of software, music, and film copyrights, and noted that the future of the Italian economy is in intellectual property-based products, not trademarked luxury goods. (Note: The GOI tends to view IPR protection as a trademark issue. End note.)

¶5. (U) Schiavo next shifted his focus to the proposed Anti-Counterfeiting Treaty Agreement (ACTA). He told Donnelly that within the EU, competency over ACTA issues is mixed. While the EU is responsible for ACTA-related trade issues, member states are responsible for the enforcement of the relevant laws and regulations. Schiavo, who is on detail from the EU to the Italian government, expressed confidence that this mix of competencies would not pose a problem in implementing ACTA.

¶6. (U) Donnelly also raised ACTA in his later meetings with Mauro Masi, the GOI delegate to the World Intellectual Property Organization (WIPO), and Giovanni Kessler, the GOI Anti-Counterfeiting High Commissioner, pointing out the need to improve Italy's track record on IPR enforcement and to

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expand GOI enforcement efforts. Donnelly suggested Italy prepare an "Action Plan" detailing GOI plans to strengthen IPR enforcement. In contrast to Schiavo, both Masi and Kessler acknowledged Italy's IPR protection problem and welcomed Donnelly's input on how to address it effectively. Masi was less sanguine than Schiavo regarding ACTA, and noted a significant gap between the EU Commission views and those of several members states (including Italy) on how ACTA competencies should be allocated. While reiterating Italy's support for ACTA, and predicting approval of the treaty, Masi frankly stated that "there is a problem" between the Commission and some member states, "that will take time to work out."

¶7. (U) Masi described the upcoming IPR conference chaired by Ambassador Spogli, Deputy Prime Minister D'Alema, and Justice Minister Mastella. Donnelly suggested the conference could provide an opportunity to launch an Italian IPR Action Plan. He also highlighted the importance of maintaining accurate data on IPR enforcement activities, including arrests, convictions, and seizures, as part of Italian efforts to get off the Special 301 Watch List. (Note: Masi is a senior civil servant in the GOI, and has significant experience with IPR issues in Italy. In addition to his position as Italian IPR Delegate, he is Deputy Prime Minister D'Alema's Chief of Cabinet. Kessler, a former parliamentarian, also is charged with coordinating Italy's IPR protection activities. End Note.)

Import Safety Dialogue

¶8. (U) Schiavo said that Trade Minister Emma Bonino had wanted to meet with Donnelly but that she was in Strasbourg to attend a meeting on product origins. The recent recall of products exported to America and Europe from China has made import safety an emotional issue, especially because children's toys were among the products recalled. In Schiavo's opinion, the way the issue was portrayed in the press was "unfair to China," because the products were

approved by American importers (Schiavo singled out Mattel) and Chinese manufacturers were simply using cheaper materials in response to downward price pressure. Schiavo said he thought the EU reaction to the discovery of lead paint on Chinese-origin toys, for example, has been good, and that the EU has taken "correct measures" to inform consumers and ensure the affected products were withdrawn from the market. Schiavo said that within the GOI, the Trade Ministry takes the lead on import safety issues.

Container Inspection

19. (U) Schiavo then turned to the issue of inspecting incoming goods. He noted the impossibility of inspecting every container coming into Italy, much less the United States, and criticized legislation recently passed by Congress which mandates universal inspections by 2012. Schiavo characterized the legislation as "extraterritorial and contrary to international law" because of the detrimental effect it will have on ports in countries that do not act aggressively to implement inspection regimes, and expressed interest in working with the USG to implement some form of container screening at major Italian ports. "My fear is that the politicians won't focus on this until 2010, and by then it will be too late," he concluded.

Comment

10. (U) While Schiavo was very clear and forceful in his criticisms, he also left the door open to cooperation with the USG on a number of issues, including WTO negotiations, import safety, and improving Italy's IPR enforcement record. Masi and Kessler were rather receptive to Donnelly's input on how to improve Italy's standing on the 301 Watch List, and have expressed willingness to work with the USG on IPR issues in the past. The upcoming IPR event with Ambassador Spogli and Ministers D'Alema and Mastella should provide a good opportunity for the Ministers to outline GOI plans to address Italy's chronic IPR problems. End comment.
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